Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Required Report - public distribution

Date: 9/18/2002

GAIN Report #TW2034

Taiwan

Poultry and Products

Annual

2002

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Report Highlights:

While the Taiwan's general market for poultry meat and products stagnates, opportunities for imports, particularly chicken leg quarters and offal, are growing. Over the coming 2~3 years, the US stands to gain most from market opening measures, principally due to the fact that most competing exporting nations have yet to receive required phytosanitary approvals for import into Taiwan. Relaxation or elimination of poultry-related quotas and bans at the start of 2002 have already resulted in much better sales for US exporters of chicken meat and offal.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Taipei ATO [TW2], TW

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Executive Summary

Poultry meat and eggs are pillars of the traditional Chinese diet. From kungpao chicken, Peking duck, and stir fries to Cantonese-style air dried duck, "1,000 year-old" eggs, and deep-fried chicken nuggets, Taiwan again consumed slightly over 736 thousand tons of poultry meat (approximately 87% of this chicken) and 7.8 billion eggs during 2001. This translates into around 31 kg of poultry and 335 eggs per capita.

Taiwan's accession to the World Trade Organization (WTO) on 1 January 2002 lifted long-term bans on certain offal categories and put into place mechanisms to expand, and then eliminate by 2005, quota restrictions on chicken meat imports. The replacement of the pre-WTO quota allocation system with a "first come, first served" quota allocation seems to have so far successfully stifled previous quota squatting practices of local farmer groups which had, under the pre-WTO system, received quota allocations but did not execute them. The quota for chicken meat is expected to be nearly fully used this year.

With the return of better economic times (expected only with a turnaround in the US economy), market consumption of poultry products, particularly chicken meat and offal, should again reach their previous highs (an increase of 7~10% over current consumption). The potential for additional growth beyond this level, however, is believed limited.

Good news for US exporters, however, is that imports are poised to take increasing market share away from domestic producers over the next 3~4 years. The significant cost advantages US producers enjoy over local firms (local sources say up to 50% [farm gate price]) and market goodwill toward foods imported from the US will play in favor of US imports. While the market for "fresh chicken", which emphasizes taste, proper trimming, and freshness and accounts for roughly 60% of the market, may prove a difficult segment for US suppliers to service (US meat is typically shipped frozen), the food service, lunchbox (bento), and processed food segments are more receptive to competitively priced frozen meat and offal products.

To take advantage of unprecedented sales opportunities for poultry products in Taiwan, in addition to offering competitive prices, US exporters are encouraged to focus on addressing importer needs with regard to cuts offered so that supplied products can be used readily with existing food processing / production facilities without additional trimming or reprocessing.

POULTRY

Production

Total poultry meat production in Taiwan during 2001 contracted to 718 thousand mt. Local producers are continuing to either go out of business or consolidate, leading to a shrinking number of domestic players. Stagnating domestic production levels are expected to drift slowly downward through the coming several years, at least. Stagnant demand for poultry currently comes principally from the poor economic climate and decreasing prices for alternative meats (pork, in particular). Imports are not, as yet, a factor due to quota restrictions, but will become so when quotas are lifted in 2005.

Table. 1 Production, Supply, and Demand Table: Poultry (in 1,000 mt)

PSD Table						
Country	Taiwan					
Commodity	Poultry, Meat, Total					
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	720	718	720	715	0	712
Whole, Imports	0	0	0	0	0	0
Parts, Imports	23	17	26	27	0	34
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	23	17	26	27	0	34
TOTAL SUPPLY	743	735	746	742	0	746
Whole, Exports	0	0	0	0	0	0
Parts, Exports	3	3	3	4	0	4
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	3	3	3	4	0	4
Human Consumption	740	732	743	738	0	742
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	740	732	743	738	0	742
TOTAL Use	743	735	746	742	0	746
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	743	735	746	742	0	746
Calendar Yr. Imp. from U.S.	0	17	0	26	0	31

Chickens dominate the poultry husbandry industry in Taiwan - accounting for around 75% of all commercial birds raised. Ducks follow a distant second at around 17%, with geese, turkeys, and game birds accounting for the remainder. During 2002, 380 million head of chicken are expected to be channeled into meat & offal production and an average 34 million head will be engaged as layers. In a similar ratio, Taiwan will slaughter 34 million head of duck this year while employing an average 3 million head in egg production. Figures are not expected to change significantly in 2003. Eggs of poultry other than chickens and ducks are not produced on a commercial scale.

Commitments made by Taiwan during WTO accession negotiations to open its chicken meat and poultry offal markets to international competition at the start of 2005 imply that domestic poultry producers - for so many decades insulated from global competition - must adapt to the new competitive regime or concede to foreign competition a significant chunk of current sales. Attempting to help prepare the poultry industry for increasing competition, Taiwan authorities are in the process of implementing measures to 1) consolidate production, 2) modernize production and marketing, and 3) create consumer loyalty to local poultry products.

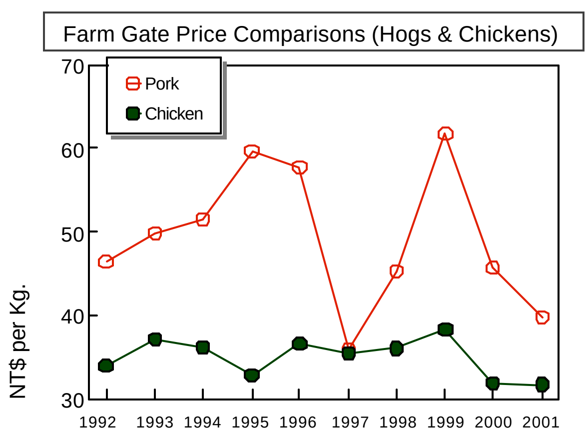
Production Consolidation: After offering to pay farmers to move away from chicken rearing between 1998 and 1999, the Council of Agriculture (COA) has since largely allowed market forces decide how many farms remain in operation.

Modernization: Through the COA and its several key research affiliates, Taiwan has ongoing programs targeting cooperative extension services for poultry farmers & processors and research into breed improvement & consumer product development.

Customer Loyalty Programs: Acknowledging that the broiler segment will face the brunt of coming foreign competition, authorities have been targeting other poultry categories (in particular, eggs and local chicken varieties [i.e., *tuji*]) with technical and marketing assistance to help these segments grow in value and realize gains in production efficiency. One component of this assistance is the introduction of certification marks "T-U-G" for local chicken varieties and "EGG" for locally-raised eggs. The hope is that, over time, consumer awareness of local products and demand for "unique" Taiwan poultry varieties (while as yet ill-defined as commercial breeds, these include varieties such as *tuji*, *wuguji*, and *fangshanji*)[1] will result in increased demand.

Consumption

The average Taiwanese consumed nearly 75 kg of meat during 2001. This is expected to remain stable through the coming several years. Poultry is a staple of the Chinese diet and, as consumers continue switching to lighter fat meals, chicken may, over the longer term, gain ground against the other staple meat, pork. Lower fat content has not yet, however, become a significant factor in meat purchasing decisions by Taiwan consumers.



Pork and chicken meat (dark meat is preferred)

[1] For purposes of this report and unless otherwise noted, all local varieties are categorized under the generic name "*tuji*".

are highly substitutable for one another in the staple of Chinese cooking - the stir fry. As such, domestic pork prices do impact chicken meat sales, as higher prices for pork encourage consumers to switch from buying chilled pork cuts to buying chicken meat, and restaurants to alter menu offerings accordingly. The trend works in reverse when pork prices fall relative to chicken. Market prices for pork during 2001 were some of the lowest seen in a decade (refer to chart above). This situation has made the competitive situation for broiler farms in Taiwan even more difficult. With no particular factors seen in the near term which would raise the price of pork, general demand for broiler meat is expected to remain soft for the next several years.

Trade

Taiwan imposes a strict quota regime on imported chicken meat and certain offals. This system will remain through 2004, at which time a liberalized, tariff-based import regime will take its place. Before 2005, imports will be restricted to between a 3.2% and 7.7% share of total consumption (based on current market demand). In 2005 and beyond, Taiwan's WTO agreements permit the island to impose Special Safeguard (SSG) tariffs on imports of certain products that are no longer restricted by quota volume limits when market prices or import volumes for these products exceed certain "trigger" levels. In terms of poultry products, SSG protection is to be allowed for two product categories: "Chicken Legs and Wings" and "Poultry Offals". It is anticipated that Taiwan authorities will be in a position to implement the additional SSG tariffs on products in these two categories once quota volume restrictions are lifted in January 2005. Please refer to the "Chicken, Trade Policy" section below for additional details regarding the SSG.

US exporters are expected to dominate the import market through at least 2004. Canada and Australia are currently the only other major producing nations which have earned phytosanitary clearance to export to Taiwan (neither currently do so in significant quantity). Countries such as Thailand and Brazil are reportedly in negotiations for clearance, although health and sanitation issues are not expected to be resolved before 2004. Exports from China are not expected in the foreseeable future due both to phytosanitary and political issues.

Poultry offal, an important segment of which became fully liberalized upon Taiwan's WTO membership, represents a major source of new opportunity for exporters from countries with phytosanitary clearance. Other products, which were open for import prior to WTO, are expected to see little additional import interest due to factors including domestic oversupply, preference for fresh (as opposed to frozen) meat, and well-established distribution channels.

Tables 2 & 3. Poultry Import and Export Volumes (in 1,000 metric tons)

Import Trade Matrix		
Country	Taiwan	
Commodity	Poultry, Meat, Total	
Time period	2000-2001	1000 mt
Imports for:	2000	2001
U.S.	28.3	16.8
Others		
Canada	0.6	0.4
Total for Others	0.6	0
Others not Listed	0	0.1
Grand Total	28.9	17.3

Export Trade Matrix		
Country	Taiwan	
Commodity	Poultry, Meat, Total	
Time period	2000-2001	1000 mt
Exports for:	2000	2001
U.S.	0	0
Others		
Japan	1.6	2
Hong Kong	0.3	0.8
Total for Others	1.9	0
Others not Listed	0.1	0.4
Grand Total	2	3.2

Trade Policy

Current Tariff Rates for various poultry products are noted in the table below. Rates and WTO accession terms remain unchanged from the previous year.

Table 4. Current Tariff Rates for Poultry Meat and Products

Product	2002	WTO Final (date of final implementation in parenthesis)
Chicken Meat	25% (1)	20% (2) (Jan. 2004)
Duck Meat	35%	35%
Goose Meat	25%	25%
Turkey Meat	10%	10%
Egg Products	30%	30%
Poultry Offal	25% (1)	25% (2) (Jan. 2004)

(1) Tariff rate noted is applied to in-quota imports of quota-regulated offal items (guts, bladders, stomachs). Imports made outside quota restrictions will be subject to punitive tariff rates.
(2) This final tariff quota rate will be applied in 2004. All quota restrictions should end at the start of 2005.

The Impact of WTO Membership

Taiwan's entry into the WTO has had several effects on poultry import policy, including *re-classification of presently banned items* and *expanded quota access eligibility*. At the end of 2004, all poultry-related quotas will expire and any quantity may be imported subject to payment of tariff and adherence to phytosanitary restrictions.

Reclassification of Banned Items: Taiwan ended its long-running ban on certain offal items, including chicken feet & necks and all poultry livers & hearts. In its stead, Customs now assesses standard tariffs of 25% for chicken livers, hearts, and feet, 30~45% for (non-chicken) poultry livers, and 40% for chicken necks and goose, duck, & turkey hearts. Other poultry offal (including guts, bladders, stomachs, etc.) have also come off the banned list, but become subject to a quota and 25% tariff rate.

Quota Access: Taiwan ended the previous practice of actively allocating quotas (i.e., granting a recipient a quota allocation without first confirming recipient intent to import under quota) in favor of a "first come, first served" system under which any importer may apply to import within quota limits. All initial quota purchase contracts should be signed prior to 1 September of the current year with delivery taken before 31 December. Quota volumes not contracted by 1 September will be reopened with delivery also required by year's end. This system is expected to help ensure committed quota volumes are fully available for use for each year.

Taiwan opened an initial quota volume of 19,163 mt for chicken meat in 2002 (3.2% of current meat consumption). This quota will increase to 32,577 mt in 2003 and 45,990 mt in 2004 (7.7% of current meat consumption) - after which time the quota will be eliminated and replaced by a tariff rate of 20%. The poultry offal (guts, bladders, stomachs) quota sets an initial ceiling of 1,836 mt for 2002, rising to 3,674 mt in 2004. Any quantity of quota-controlled product imported above set quota limits is permitted, but subject to high punitive tariffs.

Other poultry products presently permitted without quota restriction into Taiwan, including eggs/egg products, prepared poultry products, and non-chicken poultry meat enjoy lower tariffs following WTO accession, but have yet to see increased trade volume.

CHICKEN

Taiwan's chicken production falls into two categories, namely US-style broilers and native / crossbred birds. The latter include native chicken breeds as well as chickens resulting from crossbreeding native roosters with broiler hens. While different names are used to identify the 3 ~ 4 major native / crossbred categories sold in market (including *tuji*, *wuguji*, and *fangshanji*) , the generic term "*tuji*" is used in this report to denote all native & crossbred categories, unless otherwise noted.

Production

Taiwan produced 621,500 mt of chicken meat in 2001, with a slight decrease (1.7%) expected for 2002 and about the same volume in 2003. A continued focus on consolidation in the industry, with larger producers buying out smaller ones is expected during the coming several years. This is due to continued predominance of small-scale farmers who continue to produce chickens in the same volumes despite low prices and demand. Broiler meat prices (farm gate) found a comparatively stable trading range between NT$31~33 per kg for much of the year. As noted above, with generally soft demand factors, producers will be hard pressed to move much higher than this in the next year or two.

The current production ratio -- 45% broiler meat & offal to 55% *tuji* meat & offal -- can be expected to continue a gradual trend in favor of *tuji*, with the ratio balancing out at around 40 / 60 at total production levels of 630,000 mt in 2005, when Taiwan's WTO agreement mandates the end of poultry import quotas.

Government statistics report that just over 80% of broilers are slaughtered and processed in modern, sanitary facilities. Only 6% of *tuji* are similarly handled. The remainder are processed either in small, low-tech processing plants or killed & dressed in the many traditional wet markets. Government and industry-sponsored efforts to handle *tuji* in automated processing environments have been dogged by many problems, not least of which has been the lack of uniformity among *tuji*, even within species.

Even more so than the poultry industry in general, chicken farmers and processors must become efficient producers within a short span of several years, or accept a greatly reduced market share in the face of foreign competition. The government, directly and through industry associations, is supporting activities to advance industry consolidation / cooperation, product development, technical improvement, and consumer marketing efforts. The largest farm currently maintains a capacity of 210,000 head, with broader industry measures showing that better than 90% of broiler farms still operate on a scale of 20,000 head or less.

Industry experts note that the relatively-small scale and protected nature of Taiwan's poultry rearing industry has saddled local producers with high relative costs of production. A survey run during 2000 estimates the average investment (including depreciation costs) required to raise 100kg worth of farm gate-ready broilers to be NT$3,216 (approximately US$93). Feed-related expenses comprise the bulk (60%) of this total. Profits after taxes and expenses for the Taiwan broiler farmer averaged during 2000 a net loss of NT$23 (US$0.67) per 100 kg. Chicken farmers are expected to continue in the red this year, as hopes for a turnaround in consumption during 2002 do not look promising.

Table 5. Farm Gate Prices for Broilers

Prices Table			
Country	Taiwan		
Commodity	Poultry, Meat, Broiler		
Prices in	NT$	per uom	kg
Year	2001	2002	% Change
Jan	37.09	34.76	-6.28%
Feb	35.09	39.41	12.31%
Mar	34.65	38.06	9.84%
Apr	34.72	37.53	8.09%
May	31.64	35.73	12.93%
Jun	31.15	33.87	8.73%
Jul	32.36		
Aug	33.38		
Sep	34.58		
Oct	32.12		
Nov	31.59		
Dec	31.63		
Exchange Rate		Local currency/US $	34.4

Table 6. Chicken Meat Production, Supply, and Demand (in 1,000 mt)

PSD Table						
Country	Taiwan					
Commodity	Poultry, Meat, Broiler					
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	630	622	630	611	0	610
Whole, Imports	0	0	0	0	0	0
Parts, Imports	12	10	14	20	0	27
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	12	10	14	20	0	27
TOTAL SUPPLY	642	632	644	631	0	637
Whole, Exports	0	0	0	0	0	0
Parts, Exports	1	1	1	1	0	1
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	1	1	1	1	0	1
Human Consumption	641	631	643	630	0	636
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	641	631	643	630	0	636
TOTAL Use	642	632	644	631	0	637
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	642	632	644	631	0	637
Calendar Yr. Imp. from U.S.	0	10	0	20	0	26

* note:2002 and 2003 estimates include offal volumes which are now permitted entry into Taiwan under post-WTO market opening measures.

Consumption

The last decade has witnessed steady growth in market demand for US-style broiler meat. In the home, breast and leg meat are heavily used in stir fry dishes. Nearly all fast food chain restaurants, international and local, offer batter fried chicken breasts & drumsticks and processed chicken burgers. Spicy chicken wings, served with Western-style sauces, are staple menu fare at mid-range Western chain restaurants such as TGI Fridays & Dan Ryan's and are offered by nearly all pizza franchises as a popular side dish. Turkey wings, smoked and spiced locally to Chinese tastes, are hot sellers at grocery stores and hypermarkets. The flame-cooked chicken leg quarter with rice & veggies is (along with the pork chop) one of the two most popular lunch box entrees in Taiwan - accounting for better than 30% of all lunch box sales.

Low pork prices have stolen the benefit the poultry industry was hoping to see in a "down-scaling" of Taiwanese lunch habits from more expensive "set menu" restaurants to the traditional, lower priced, Taiwanese lunchbox (or "bento") and luncheon cafeterias. An informal survey of lunch box vendors conducted recently by the ATO indicated that pork cuts were increasingly being offered in lieu of chicken due to better cost factors.

Offal consumption is expected to be little changed in 2002 and 2003. Offal is consumed in greatest quantities by the street vendor food service segment -- which is less impacted by general economic conditions than other segments, such as sit-down restaurants and hotels. With domestic prices for offal significantly higher than in other markets, attractive sales opportunities for US firms exist now that this once-protected market is open to competition.

Trade Policy

Taiwan opened a "first come, first served" quota for 19,613 mt to WTO members meeting Taiwan phytosanitary rules. The quota volume will expand to 32,577 tons in 2003 and a final 45,990 mt in 2004. The in-quota tariff for chicken meat of 25% is scheduled to fall further to a final 20% by 2004 - after which Taiwan will end quota restrictions and apply a flat tariff rate of 20% to all imported chicken meat.

Taiwan requires that chicken meat and products may enter Taiwan only from countries certified free of Highly Pathenogenic Avian Influenza (HPAI) and Newcastle Disease (ND). Currently, Taiwan has certified the United States, Canada, Australia, New Zealand, and Sweden as free of these two diseases.

Taiwan has announced plans to impose Special Safeguard (SSG) tariffs on chicken meat and offal products brought into Taiwan out-of-quota, based on the price and volume "triggers" noted in the following table.

SSG Triggers

Product Item	SSG implemented if volume exceeds:	SSG implemented if market price falls below:
Chicken Meat: Legs and Wings	23,953 mt	NT$30,000
Chicken Meat: Other Cuts	included under above limit	NT$42,000
Poultry Offal*	2,295 mt	base price yet to be established

* Note: SSG will not apply to imports of poultry livers or of chicken hearts, feet, or necks.

The term "out of quota" will apply to all imports of formerly quota-restricted items once quota restrictions are eliminated in January 2005. In 2005, the SSG, if triggered, will likely increase the duty on chicken meat to 26.33% (as opposed to the 20% "normal" duty). The duty for offal will be similarly affected.

Imports & Exports

During 2001, quota squatting (i.e., quota rights allocated to that organization which were not used by that organization) resulted in a significant drop in chicken meat imports during 2001.

During 2002, Taiwan importers are expected to fully utilize the 19,613 mt quota available for imported chicken. As of June 2002, Taiwan importers had cleared 73% (14,267 mt), according to Taiwan Customs statistics. Because of market preference, nearly all of the import volume was dark meat (leg quarters), frozen (HS02071411002). This situation is expected to continue through the foreseeable future. As of June 2002, 175.6 mt of chicken offal (as well as 366 mt of other poultry offal) had cleared Customs.

Table 7. Taiwan's Chicken Meat Imports

Import Trade Matrix		
Country	Taiwan	
Commodity	Poultry, Meat, Broiler	
Time period	2000-2001	1000 mt
Imports for:	2000	2001
U.S.	11.6	9.3
Others		
Canada	0.6	0.4
Total for Others	0.6	0
Others not Listed	0	0
Grand Total	12.2	9.7

Table 8. Taiwan's Chicken Meat Exports

Export Trade Matrix		
Country	Taiwan	
Commodity	Poultry, Meat, Broiler	
Time period	2000-2001	1000 mt
Exports for:	2000	2001
U.S.	0	0
Others		
Hong Kong	0.6	0.8
Japan	0.2	0.4
Total for Others	0.8	0
Others not Listed	0.1	0
Grand Total	0.9	1.2

Marketing

As with most food products raised in Taiwan, there is an undercurrent of concern regarding the quality of local chicken among consumers. With expanding quota volumes and the eventual lifting of volume restrictions, US suppliers may benefit significantly by conducting promotion work which underscores the healthful conditions under which US chickens are reared, the emphasis on production and processing quality control at US facilities, and trust in US brand or country-of-origin labels.

In recent years, the COA established a quality certification logo for *tuji* to heighten its quality image and encourage increased consumption. The "T-U-G" label certifies that chicken was processed in a facility using modern, standardized processing techniques. The myriad obstacles to processing standardization in the *tuji* segment has held the volume of such to between 8% and 10% of *tuji* birds processed. Most *tuji* sold in supermarkets now bear this "T-U-G" logo. The largest retail outlet for *tuji*, the traditional market, is barred from participating in the "T-U-G" system as birds are slaughtered at time of purchase.

> *A Note About Tuji*: Chinese consumers view native / crossbred chickens (*tuji*) as a meat product "similar to, but distinct from" broiler chickens. *Tuji* is used in many very traditional Chinese dishes (examples include sesame oil chicken, chicken soup [where meat, skin, and bones are simmered together with traditional herbs], and chicken cold plate) for which broiler meat is not an acceptable substitute. Similarly, tougher meat and lack of sizing standards make *tuji* unfit for most broiler applications.

Therefore, while production and marketing trends for *tuji* should be of interest to US broiler exporters, particularly from the context of how many broiler producers are heeding government calls to switch to *tuji* production, these two segments of the chicken meat market operate with significant independence from each other.

The Impact of WTO Membership

The immediate impact of WTO on the chicken market is not significant, due to the relatively small, although growing, quota volume granted to Taiwan importers under Taiwan's bilateral WTO accession agreements. The greatest immediate opportunity for exporters is in the lucrative offal market, a major portion of which will be opened to imports, quota-free.

TURKEY

Production

Turkey production in Taiwan is principally driven by market demand for a single food service menu item – turkey fried rice ("Chiayi Turkey Rice"). A small volume (10~30%) is channeled into other applications such as pork substitute in processed foods and street vendor cooked-to-order barbequed wings / tails. The rise in popularity of Chiayi Turkey Rice during the past 3 years resulted in a small production boom that peaked in 2000. Poor economic conditions and a plateauing of popularity of the specialty dish reduced production to around 4,000 mt in 2001, with little change anticipated for 2002 and 2003.

Consumption

While domestic turkeys have principally been channeled into turkey fried rice and fresh food service channels, imported turkeys and turkey meat are principally used as (1) a substitute for pork in processed foods (turkey thigh meat), (2) for prepared barbecued wings sold by vendors or at grocery / hypermarket stores, and (3) as an oven-baked meal for Thanksgiving and Christmas.

Domestic turkeys are sold fresh or chilled, while imported turkeys are sold frozen. As mentioned previously, turkey thigh meat is accepted by manufacturers as a pork substitute / filler in processed meat products. The trigger hog price making turkey thigh meat cost-down substitute for pork is reportedly NT$5,000 / 100 kg live weight. Present market conditions do not support cost-based substitution as pork prices have fallen well into the NT$3,000 / 100 kg live weight range. Turkey's use as a low-fat substitute for pork in processed food ingredients has also suffered recently due to price point issues. Turkey wings, because of their size and attractive price compared to chicken wings, are expected to continue to be a popular snack item, while holiday prepared turkeys are expected to meet significantly lower consumer demand again this year and next due to uncertain economic conditions.

Trade

As with chicken meat, turkey imports into Taiwan must arrive from countries certified by Taiwan authorities as free of both ND and HPAI. As noted elsewhere, the countries with such certification include the US, Canada, Australia, New Zealand, and Sweden. The United States is expected again to be the only registered exporter of turkeys to Taiwan during 2002 and 2003.

Low pork prices severely hurt demand for turkey meat in the food processing industry during 2002, resulting in less than 7,600 mt delivered to the market in 2001. While initial statistics for 2002 show a mild pick-up in imports, continuing cheap pork makes prospects for this segment gloomy for the next several years at least.

Turkey offal, a segment barred from import until this year (2002), is showing immediate demand, with more than 362 tons clearing Customs during the first half of 2002.

Table 9. Production, Supply, and Demand Table for Turkey Meat (in 1,000 mt)

PSD Table						
Country	Taiwan					
Commodity	Poultry, Meat, Turkey					
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	5	4	5	4	0	4
Whole, Imports	0	1	0	0	0	1
Parts, Imports	8	7	12	7	0	7
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	8	8	12	7	0	8
TOTAL SUPPLY	13	12	17	11	0	12
Whole, Exports	0	0	0	0	0	0
Parts, Exports	0	0	0	0	0	0
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Human Consumption	13	12	17	11	0	12
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	13	12	17	11	0	12
TOTAL Use	13	12	17	11	0	12
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	13	12	17	11	0	12
Calendar Yr. Imp. from U.S.	7	8	0	7	0	7

Tables 10 & 11. Imports & Exports of Turkey Meat (in 1,000 metric tons)

Import Trade Matrix		
Country	Taiwan	
Commodity	Poultry, Meat, Turkey	
Time period	2000-2001	1000 mt
Imports for:	2000	2001
U.S.	16.7	7.5
Others		
Total for Others	0	0
Others not Listed		
Grand Total	16.7	7.5

Export Trade Matrix		
Country	Taiwan	
Commodity	Poultry, Meat, Turkey	
Time period	2000-2001	1000 mt
Exports for:	2000	2001
U.S.	0	
Others		
Total for Others	0	0
Others not Listed		
Grand Total	0	0

Marketing

Efforts to increase turkey meat sales at the retail level continue to be dogged by consumer lack of understanding of meat characteristics / qualities and poor product availability in retail outlets (grocery stores, hypermarkets, traditional markets). Turkey meat in sausages is typically used "covertly", with either no mention at all on the packaging (aside from the small-print ingredient label) or simply a statement that the sausages are lower in fat.

Turkey lacks a foundation in the Chinese universe of ingredients and thus does not find a ready home in dishes such as stir fries and soups. The Chinese chef, whether in the home or in a restaurant, is typically not innovative and would be unwilling on his / her own to substitute turkey meat in, for example, a stir fry that calls for chicken. Appropriate consumer education and promotion should help pique interest and salve concerns regarding substituting turkey for other poultry meats in popular dishes. The market for turkey in Western dishes represents a small niche market comprised primarily of 4- and 5-star hotels & a few restaurants in Taipei, Taichung, and Kaohsiung.

Duck

Three-thousand years of duck rearing history in China bequeath to Taiwanese a well-founded fondness for duck meat and eggs. The distinctive dishes in which duck products are served give duck meat and eggs a market categorization distinct from other poultry meats & products.

Production and consumption of duck is expected to remain stable during 2002 and 2003 (at around 64,000 mt), due to the lack of growth in the food service industry. In terms of domestic production, ducks raised in Taiwan for meat production are principally of the variety *tufanya* (80%), with the remainder divided roughly evenly between *fanya* and *beijingya* (Peking duck) breeds. Layers are almost exclusively of the *chensecai* variety.

In recent history, the duck farming and processing industry in Taiwan was heavily export-oriented, with exports of meat, eggs, and feathers targeting consumers in Japan and Southeast Asia. The entry of China as a low cost duck meat / products exporter has pared export markets for Taiwan ducks significantly. The entry of both China and Taiwan into the WTO is expected to cut further into the margins of local producers margins and, eventually, entice international sales into this market. Industry experts anticipate that high-quality US producers will pose the most effective challenge to domestic ducks. China and Thailand offer strong price competition - although current phytosanitary restrictions rule out importation from either.

The current tariff for duck meat (whole) is 35%. Only the previously mentioned countries recognized by Taiwan as free from ND and HPAI are permitted to export duck meat to Taiwan. No duck meat is expected to be imported into Taiwan during 2001 or 2002 due to flavor expectations among consumers (Taiwan-raised, freshly-slaughtered), conservative supplier - buyer relationships, and little market growth in this category.

GEESE

As late as the 1980s, geese were generally raised as a sideline to a main farm business, such as fish or vegetable farming. As such, the industry remains in the early stages of development as a production-scale industry. Taiwan breeds are largely descended from varieties including White Roman & Embden (imported initially from Denmark during the 1970s and 80s) and Tulouse, African, and White Chinese (imported during the 1980s from the US).

During 2002, Taiwan is expected to produce about 26,000 mt of goose meat - around 3.5% of total poultry meat production. Most goose meat is sold as a ready-to-eat product in small local restaurants. Although goose meat imports are permitted, no imports have occurred in recent years nor are they expected in the near future. Similarly, Taiwan is not expected to export any goose meat during 2002 or 2003.

The current tariff rates for goose meat is 28% for chilled goose meat (whole), 30% for chilled goose meat (cut into pieces), and 30% for frozen goose meat (whole or pieces). Under current agreements, all three tariff rates will drop to a final rate of 25% by 2004.

EGGS

Production

Poultry eggs include hen and duck eggs. Egg production was 7.7 billion pieces in 2001, a situation of continued overproduction, and should remain about the same or slightly lower in 2002. This reflects the conservative nature of the current egg raising industry, which continues to pin hopes on collective industry action, government assistance, and improving economic factors. The limited industry association budget (to control market availability of eggs), lack of serious government intervention, and continued economic doldrums, the industry is expected to continue to be in tight straights into the foreseeable future.

Table 12. Production, Supply, and Demand Table: Chicken Eggs (in million pcs.)

PSD Table						
Country	Taiwan					
Commodity	Poultry, Eggs				[redacted]	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Layers	36	36	36	36	0	35
Beginning Stocks	1500	1500	1000	1500	0	1500
Production	7700	7700	7700	7600	0	7600
Hatch Eggs, Imports	0	0	0	0	0	0
Shell Eggs, Imports	0	0	0	0	0	0
Other Imports	0	3	20	3	0	3
Intra EC Imports	0	0	0	0	0	0
TOTAL Imports	0	3	20	3	0	3
TOTAL SUPPLY	9200	9203	8720	9103	0	9103
Hatch Eggs, Exports	0	0	0	0	0	0
Shell Eggs, Exports	3	0	3	0	0	0
Other Exports	1	0	1	0	0	0
Intra EC Exports	0	0	0	0	0	0
TOTAL Exports	4	0	4	0	0	0
Hatch Eggs,Consumption	0	0	0	0	0	0
Shell Eggs, Human	6696	7003	7516	6703	0	7203
Shell Eggs,OT.Use/Loss	500	200	200	200	0	200
Other Dom. Consumption	1000	500	1000	700	0	500
Total Dom. Consumption	8196	7703	8716	7603	0	7903
TOTAL Use	8200	7703	8720	7603	0	7903
Ending Stocks	1000	1500	0	1500	0	1200
TOTAL DISTRIBUTION	9200	9203	8720	9103	0	9103
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0

Nearly the entirety of duck egg production is consumed as salty and alkalized (1,000 year-old) eggs. As both are traditional foods, demand from year to year is largely stable - at around 540 million pieces. Choppy economic waters kept production during 2001 somewhat less at 500 million pieces.

Duck layers number approximately 3 million, while hen layers number around 35 million.

Price

Chicken egg production costs are estimated at NT$20 per kg, with the industry considered profitable when farm gate prices are higher than NT$26 per kg. Egg prices averaged NT$23.25 during 2001. With stable demand and continued oversupply, low prices and gradual industry consolidation / contraction can be expected over the coming years.

Table 13. Farm Gate Prices for Chicken Eggs

Prices Table			
Country	Taiwan		
Commodity	Poultry, Eggs		
Prices in	NT$	per uom	kg
Year	2001	2002	% Change
Jan	27.39	24.26	-11.43%
Feb	24.51	26.55	8.32%
Mar	29.63	21.11	-28.75%
Apr	24.5	23	-6.12%
May	23.16	18.61	-19.65%
Jun	19.89	16.78	-15.64%
Jul	20.22		
Aug	21.41		
Sep	24.22		
Oct	22.03		
Nov	20.67		
Dec	21.4		
Exchange Rate		Local currency/US $	34.4

Consumption

Egg consumption is around 335 eggs per capita. Most chicken eggs are destined for table use and sold through traditional or grocery stores, prepared in restaurants, or retailed as stewed or tea-marinated eggs. Approximately 5% of all domestic chicken eggs are processed into liquid and powdered eggs. Currently Taiwan has no regulation requiring pasteurization of liquid eggs and so production is scattered amongst small-scale producers recovering the whites and yolks of broken whole eggs. Statistics record an uptick in powdered egg production due to government and industry-inspired efforts to provide price supports for fresh eggs. There remains little trade, either local or international in liquid or powdered eggs as most downstream product manufacturers and consumers request whole eggs.

Egg Products: Nearly all duck eggs are consumed as salty and 1,000 year-old eggs. The small volume of out-of-shell chicken egg products consumed include liquid eggs and powdered eggs.

Marketing

Four of every 5 eggs retailed to consumers are sold by farms to traditional markets and retail outlets in 12 kg trays. Consumers purchase by weight or by number based on individual retailer practice. Traditional market vendors typically sell by weight, while local convenience store chains and some local grocers sell by number. The remaining retail eggs are packaged in 10-piece cartons and distributed principally through supermarket and hypermarket chains.

Creative R&D and marketing has led to the introduction of vitamin and mineral fortified eggs which sell at a fair premium to mainstream in-shell eggs. These "premium" type fresh eggs have been able to maintain relatively high retail price points; resisting the price erosion faced in the general fresh egg category (refer to Appendix).

The Impact of WTO Membership

Taiwan's accession to the WTO on 1 January 2002 saw tariffs drop only slightly for eggs and egg products. Therefore, the impact is not expected to be significant. Restructuring in the domestic food business to accommodate generally lower material prices, however, is expected to open a renewed interest within the food service sector for imported powdered eggs. The advantages, including extended shelf life and convenience of use, over fresh eggs argue for greater acceptance in Taiwan's ubiquitous small-scale venue food service industry which is pressured both by limited storage / preparation space and lack of service staff.

Lack of familiarity with the use of powdered eggs will require that exporters initially help importers / distributors / major users with basic assistance including application advice, application recommendations, storage and handling recommendations, troubleshooting, etc.

APPENDIX

Representative Retail Prices for Poultry & Egg Products [2]
(all items chicken, unless otherwise indicated)

- September 2002 -

Meat (grocer, chilled, retail)

	Description	July 2001	Sept 2002		unit
1	*Tuji* local variety whole, with skin, with bones	NT$149	NT$149	per	pc.
2	*Wuguji* local variety whole, with skin, with bones	NT$179	NT$119	per	pc.
3	*Tuji* local variety whole, in pieces, with skin, with bones	NT$12.9	NT$10.9	per	100g..
4	*Wuguji* local variety whole, in pieces, with skin, with	NT$20.9		per	100g.
5	Duck whole, with skin, with bones		NT$245	per	pc.
6	Large drumsticks	NT$17.9	NT$16.5	per	100g.
7	fryer drumsticks (small)	NT$16.9		per	100g.
8	Whole breast (with skin and bones)		NT$12.5	per	100g
9	Wings (2-section)	NT$16.9	NT$17.5	per	100g
10	Wings (3-section)	NT$16.9		per	100g
11	Breast meat (boneless)	NT$16.0	NT$21.5	per	100g
12	Thigh / leg meat (boneless)	NT$20.0	NT$21.5	per	100g
13	Cubed meat (breast)	NT$19.9	NT$21.5	per	100g
14	Feet		NT$8.9	per	100g
15	Heart	NT$25.9	NT$25.9	per	100g
16	Liver		NT$8.9	per	100g
17	Kidney	NT$21.9	NT$21.9	per	100g
18	Ducks blood (chilled, congealed)	NT$8.0	NT$8.0	per	100g
19	Duck intestines	NT$25.0		per	100g

Eggs (grocer, fresh, retail)

	Description	July 2001	Sept 2002		unit
1	Fresh White ("L" 63±3g./pc.)	NT$24	NT$26~29	per	10 pc.
2	Fresh Brown (54~68g./pc.)	NT$33	NT$34~41	per	10 pc.
3	Fresh White, "organic" (≥55g./pc.)	NT$49	NT$49	per	10 pc.
4	Fresh Brown, "Vitamin E fortified" (≥55g./pc.)		NT$41	per	8 pc.
5	*Pidan* ("1,000 year-old eggs"), *Tuji*	NT$46	NT$46	per	6 pc.
6	*Pidan* ("1,000 year-old eggs"), duck	NT$42~80	NT$47~80	per	6 pc.
7	*Pidan* ("1,000 year-old eggs"), duck, "organic"	NT$75	NT$73	per	4 pc.
8	*Xiandan* ("Salty egg"), duck	NT$37	NT$39	per	4 pc.

-- Blanks indicate product was not available in store on the day that this survey was made.

[2] Note exchange rate is approximately US$1 : NT$34.4 (9/2002)